



# County of Los Angeles CHIEF EXECUTIVE OFFICE

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July 25, 2007

To: Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
Supervisor Yvonne B. Burke  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: William T Fujioka  
Chief Executive Officer

## SACRAMENTO UPDATE

After the Assembly's passage of the FY 2007-08 Budget Bill and related legislation on July 20, 2007, the Senate was unable to follow suit despite a 19-hour marathon session which adjourned on Saturday. After declaring a budget impasse, Senate Pro Tem Perata indicated that he expected Republican members to develop a budget proposal and bring it back to the Senate for consideration today, Wednesday, July 25, 2007.

The Senate convened for about 10 minutes this morning to hear the Republican proposal, but Senator Perata indicated that legislative staff and the Department of Finance needed time to review the proposed budget adjustments prior to a vote. The Senate adjourned and is scheduled to reconvene tomorrow at 9:00 a.m.

While the Senate Republican Budget Proposals attempt to produce an operating budget that is balanced, more than half of the \$842 million in proposed solutions would affect the County's programs or the people we serve. However, it should be noted that it is uncertain whether any or all of these proposed reductions are supported by sufficient numbers of Senators in either the Democratic or Republican caucuses to reach the necessary two-thirds vote requirement.

This afternoon, Senate President Pro Tem Perata sent a letter to Senate Minority Leader Ackerman informing him that he and his fellow Republicans must unanimously support the proposed budget bill before the Senate will consider legislation that includes

reductions. The text of the letter is contained in Attachment I. The complete list of the Senate Republicans' proposed budget changes is included as Attachment II.

Based on a quick review of the proposal, the following items will affect the County, and estimates of County impact are indicated when sufficient information is available.

### **Senate Republican Budget Proposals**

The two largest proposed reductions include the following:

**CalWORKs Reforms.** Restores the Governor's Budget proposal to limit CalWORKs cash benefits for low-income children and families which would impose full-family sanctions when the adult does not comply with CalWORKs work requirements. In addition, it would eliminate the safety-net benefits for children after the 60-month life-time limit when the able bodied adult fails to meet the Federal Temporary Assistance to Needy Families work requirements or when the parent is an undocumented immigrant, drug felon, or fleeing felon, for an estimated annual savings of \$300 million. The Governor's proposal was not included in the Assembly Budget. On January 30, 2007, the Board took a position to oppose the Governor's CalWORKs Reform proposal.

As indicated in our February 15, 2007 Sacramento Update, while the Governor's proposed changes primarily affect CalWORKs participants, there is a potential cost shift to the County's General Relief (GR) Program, as participants who are terminated from CalWORKs could apply to participate in the GR Program. The Department of Public Social Services estimates that CalWORKs assistance would be terminated for 66,118 to 91,946 children in Los Angeles County, if the Governor's reforms are enacted. As an example of the impact on the County, if 50 percent of these children were to qualify for GR benefits, we estimate an increase in net County cost between \$74.2 million and \$103.2 million.

**Proposition 36 Funding.** Eliminates all funding (\$120 million) included in the Assembly Budget for the base grant for Proposition 36 and the Offender Treatment Program (OTP) grant. The proposal does eliminate the counties obligation to provide these mandated services. This would result in a loss to the County of \$30 million for the base grant and an undetermined amount from the OTP program because grant funds are awarded on a competitive basis. In FY 2006-07, the County received \$7.9 million from the OTP grant. In addition, it is estimated that the County's need exceeds \$45 million for the full implementation of the Proposition 36 Program based on expenditures in FY 2005-06. The County supported additional Proposition 36 funding in the FY 2007-08 State Legislative Agenda.

Other proposals affecting the County, for which we have specific Board positions, are as follows:

**Adult Protective Services (APS) Program.** Eliminates the \$12 million augmentation included in the Assembly Budget to address the increased demand for services to assist elderly and dependent adults who are victims of abuse and neglect. If the Senate Republican proposal is approved, the County would not receive an estimated \$3.1 million. On March 23, 2007, the Board took a position to support the funding augmentation for the APS Program.

**County Equipment Replacement.** Eliminates the \$9.4 million augmentation included in the Assembly Budget to replace computer hardware for statewide automated welfare systems including Los Angeles Eligibility, Automated Determination, Evaluation and Reporting (LEADER) and the Child Welfare Services/Case Management System (CWS/CMS) systems. If the Senate Republican Proposal is approved, the County will not receive an estimated \$2.8 million for the LEADER system, and \$2.5 million will not be available statewide for the CWS/CMS systems. On July 24, 2007, the Board took a position to support the equipment replacement funding augmentation.

**CalWORKs Semi-Annual Reporting.** Retains the Governor's Budget proposal to change CalWORKs reporting requirements from quarterly to semi-annually for a estimated savings of \$12 million in FY 2007-08 and \$72 million in FY 2008-09. The Assembly Budget does not include a provision to implement quarterly reporting. On January 30, 2007, the Board took a position to support semi-annual reporting.

**California Adult Probation Accountability and Rehabilitation Act (CAPARA).** Eliminates funding for the two proposed county pilot programs to assist at risk adult probationers. Under the budget plan adopted by the Assembly, Alameda would receive one of the \$5 million grants. The other \$5 million grant would have been allocated to a large urban county with serious gang problems. On May 31, 2007, the Board took a position to support funding for the CAPARA program.

**California State Library.** Rejects the \$1.0 million augmentation approved by the Assembly for the Public Library Foundation (PLF) Program. The PLF funding augmentation would benefit libraries throughout the County, as these funds are used to improve direct library services, including the acquisition of books and educational materials. If the Senate Republican proposal is approved, the County Library would not receive an estimated \$100,000 in FY 2007-08. On June 8, 2007, the Board took a position to support the increase in funding to the PLF Program.

**Job Services Program.** Restores the Governor's proposal to eliminate \$27.1 million in State support for the Employment Development Department's (EDD) Job Services Program which operates job centers at EDD offices to provide services to help individuals with disabilities, veterans, CalWORKs recipients, parolees and youth find employment. The Assembly Budget restored the \$27.1 million in funding for this

program. On May 10, 2007, the Board took a position to oppose the Governor's proposal to eliminate funding for this program.

Other proposals affecting the County include the following:

**Drug Court Funding Augmentation.** Proposes a \$60 million augmentation for existing local drug courts. It is not clear how much of these funds would be allocated to Los Angeles County as details of the proposal are not yet available. It should be noted that Drug Court services are at the discretion of counties. It is not known what impact this augmentation will have on either the number of participants in Proposition 36 programs or the impact on those in the programs.

**CalWORKs Single Allocation.** Reduces the CalWORKs Single Allocation which funds eligibility administration, employment services, Cal-Learn, and Stage One Child Care for an annual savings of \$45 million. It is not known at this time the potential impact of this proposal, as details are not available.

**CalWORKs Home Calls.** Requires counties to conduct unscheduled home calls on all preliminarily approved CalWORKs applicants for an estimated annual savings of \$35 million in CalWORKs grant reductions. It is not known at this time the potential impact of this proposal, as details are not available.

**Medi-Cal Cost of Doing Business.** Eliminates the \$18.4 million Medi-Cal cost of doing business increase to counties for administrative and eligibility activities. Elimination of the increase will impact the County's ability to meet State Medi-Cal accountability and performance measures and may expose the County to fiscal penalties.

**Public Transportation Account (PTA).** Proposes to transfer \$100 million from the PTA to offset transportation related debt service. The Department of Public Works indicates that this action affects transit projects Statewide, and is in addition to the Assembly's Trailer Bill, SB 79, which transfers most of the Gasoline Tax Spillover (approximately \$827 million) to the State General Fund.

**Our Sacramento advocates are working to oppose any reductions that will adversely affect the County.**

For your information, other elements of the Senate Republican Package include:

**Infrastructure Bond Implementation Amendment.** Proposes to include railroads as eligible recipients of goods movement emissions funding. The Assembly Budget contains \$250 million for this purpose which excluded railroads. It is not known at this time the potential impact of this proposal, as details are not available.

**California Environmental Quality Act (CEQA).** Proposes to delete \$1.0 million in funding from the Department of Justice which is used by the Attorney General to file lawsuits against local governments for failing to address greenhouse gasses in their general plans and CEQA reviews. It is not known at this time the potential impact of this proposal, as details are not available.

We will continue to keep you advised.

WTF:GK  
MAL:MR:IGA:hg

#### Attachments

c: All Department Heads  
Legislative Strategist  
Local 660  
Coalition of County Unions  
California Contract Cities Association  
Independent Cities Association  
League of California Cities  
City Managers Associations  
Buddy Program Participants

July 25, 2007

The Honorable Dick Ackerman, Senate Republican Leader  
State Capitol, Room 305  
Sacramento, CA 95814

Dear Senator Ackerman:

We have postponed the vote on the Senate Republican budget today because your language has not yet been completed. I am hopeful that we will have your final language today in time to analyze it and can proceed with a vote tomorrow.

It's come to my attention that there may be some confusion about what your obligations are and the procedures pursuant to my letter and instruction on floor on July 21<sup>st</sup>.

The Senate Republican caucus is required to post a complete budget that has the votes of all 15 members of the caucus and gain the support of 12 Democrats – not simply a list of cuts to the current budget. I requested your office to “double-join” both the budget bill – and the supplemental bill making cuts to the budget. A vote on the budget bill is a vote on the cuts and a vote on the cuts is a vote on the budget.

We will proceed as follows:

- (1) I will recognize you for the purpose of taking up amendments to AB 203, which I will suggest be adopted unanimously without objection. This is your resubmission of the conference report in SB 77. If adopted, I will suggest that Senate Rule 29.3 be suspended, so that you may take up AB 203 immediately. If there is objection, 21 votes will be required to present the bill.
- (2) I will then call the roll and pursuant to our understanding, expect 15 votes from the Republican caucus. If that vote is not forthcoming, the Senate will proceed no further. Amendments to AB 191, your supplemental bill, will require a majority vote for adoption; waiver of SR 29.3 will require 21.

Therefore, we will not take up your supplemental bill proposing cuts to the budget until and unless you can produce 15 votes on the connected budget bill itself.

Referring to my earlier letter, the directive to you and the Senate Republican caucus was to produce a budget your caucus can support unanimously – not simply a list of cuts to the budget conference report.

Sincerely,

DON PERATA

Senate Republican Budget (Dollars in millions)	2007-08 Savings	2008-09 Savings	Comments
Implement CalWORKs Reform Package	\$300.0	\$300.0	Implements the Governor's proposal limiting grants for non-compliant recipients including fleeing felons, non-citizens, and those who fail to comply with basic requirements.
Defer Implementation of SB 437, Self-Certification of Income	\$15.3	\$16.1	Simply delaying the implementation of this new program expansion will save millions in staff and caseload work without impacting existing Healthy Families or Medi-Cal benefits. This program should be revisited when the structural deficit is fixed.
Eliminate 6,000 excess vacant positions	\$50.0	\$50.0	Does not eliminate any 24-hour care and public safety positions. This eliminates the slush fund for bureaucracies and will not effect services.
PTA transfer to offset transportation related debt service	\$100.0	\$0.0	While paying down the debt services, public transit will still receive \$1.8 billion.
Reduce County Single Allocation funding	\$45.0	\$45.0	Received \$230 million increase without any performance requirements. This proposal leaves \$185 million block grant for counties.
Expand San Diego County's project 100% statewide to investigate welfare fraud	\$35.0	\$35.0	A pilot program that uses investigators uncovered fraud and welfare cheats. One in four applicants is found to be fraudulent.
Proposition 36 Reduction	\$120.0	\$120.0	The program that funded Prop. 36 sunset in 2005. To the extent counties believe this is a worthwhile effort, they can pay for it.
Drug Courts Increase Funding	-\$60.0	-\$60.0	Increase funding to existing Drug Court programs. Drug Courts provide better oversight and monitoring of drug felons than other programs.
Implement Semi-Annual Reporting within CalWORKs	-\$12.0	\$72.0	Changing CalWORKs reporting requirements will simplify the process by making programs more consistent and adjusting grants to appropriate levels.
Actuarially sound rates for Medi-Cal managed care	\$53.1	\$0.0	The Administration is implementing a new Medi-Cal managed care rate methodology that will ensure managed care plans receive fair rates. Therefore, this augmentation is unnecessary.
Restore Governor's Employment Development Department Contingent Fund Transfer	\$27.0	\$0.0	The budget already includes hundreds of millions of dollars for other job-service type programs, which makes this program unnecessary.
Implement Federal Deficit Reduction Act for Minor Consent	\$18.9	\$19.8	By implementing Federal Law, the state will continue to receive a federal match for these health services. This will not eliminate services to anyone eligible for Medi-Cal, but would simply ensure that those who receive services are eligible for them.
Contain County Medi-Cal Administration Salaries	\$18.4	\$18.4	The state has provided salary increases that average over 6% annually from 1998-2006. Maintaining county salaries at the current level for one year is a reasonable option.
Department of Parks and Recreation - Reduce maintenance budget	\$15.0	\$15.0	The Department of Parks has focused on purchasing new properties in lieu of maintaining existing state parks. It is not reasonable to expect taxpayers to pay additional funds to maintain current park facilities, when this is not a priority of the department.
Suspend New Medi-Cal County Outreach Program	\$15.1	\$15.1	Reducing general fund dollars for a new outreach program that only became operational in the Spring should not significantly impact counties and will not impact beneficiaries.

Senate Republican Budget	2007-08 Savings	2008-09 Savings	Comments
Legislative augmentation for county Adult Protective Services	\$12.0	\$12.0	Maintains the Governor's proposal for Adult Protective Services. The Administration has already provided adequate resources for this program.
CA Dept of Corrections and Rehabilitation - Inmate Dental Program Staffing Adjustment	\$10.2	\$5.0	This is an unnecessary funding increase when there are 151.5 vacant existing dental positions. Implementation will be delayed due to difficulty in hiring.
CA Dept of Corrections and Rehabilitation - Reduce augmentation for Facility Maintenance and Repair.	\$10.0	\$0.0	Deferring \$10 million of \$46 million augmentation recognizes CDCR's inability to utilize these funds in a timely manner.
CA Dept of Corrections and Rehabilitation - Probation Pilots	\$10.0	\$0.0	The state should not be implementing new pilot programs during these tough fiscal times.
Legislative augmentation for county equipment replacement	\$9.4	\$0.0	Given the need to fund current programs, the county should not be focusing on replacing existing equipment.
Eliminate funding for UC Operations in Mexico	\$7.0	\$7.0	The state currently funds a UC facility in Mexico. When students are facing tuition increase, it is important to focus the University's resources in California.
CA Dept of Corrections and Rehabilitation - Division of Juvenile Justice Program (DJJ) space augmentation	\$6.5	\$0.0	Given declining population at DJJ, there is no rationale for new modular buildings.
Delete state earmark for UC Labor Union Institute	\$6.0	\$6.0	The state should not use taxpayer funds to help a special interest group.
Agricultural Labor Relations Board	\$5.0	\$5.0	This is an inappropriate use of state funds to help unionize private sector employees.
CA Dept of Corrections and Rehabilitation - Consolidated Information Technology Infrastructure Program. Phase II delay	\$4.4	-\$4.4	The augmentation should be held since the project is likely to be delayed.
Property Tax Administration Grants	\$3.5	\$0.0	State cannot subsidize local administrative costs at a time when it is trying to protect core programs and services.
CA Dept of Corrections and Rehabilitation - Division of Juvenile Justice (DJJ) Infrastructure Migration	\$3.0	\$0.0	The need to replace computers is unnecessary when DJJ is declining in population and institutions are closing.
Courts Self Help Program Expansion	\$2.5	\$2.5	It is not fiscally prudent to implementing new programs while the state is trying to protect core programs and services.
Legislative augmentation for Naturalization Services Program	\$2.0	\$2.0	Services are already provided under the Department of Education.
Delay Science Center Expansion	\$2.0	\$3.0	The Science Center receives private funding, and those funds should be used to cover any expansions.
Continue funding for UC Scripps Institute of Oceanography at current level	\$1.5	\$1.5	Program augmentation should wait until the structural deficit is fixed.
2006-07 Augmentation for auditor positions	\$1.4	\$1.4	The courts have suspended this program. The state could save \$1.4 million if we weren't auditing banks, financial institutions, and other organizations looking for abandoned property that can't be escheated anyway.
State Staff and Consultant Costs for Green Buildings (AB 32)	\$1.2	\$1.2	Making all state buildings "green" could be very costly and premature since state regulations have not been implemented.



Senate Republican Budget	2007-08 Savings	2008-09 Savings	Comments
Continue existing funding for Public Library Foundation	\$1.0	\$1.0	Program augmentation should wait until the structural deficit is fixed.
Department of Justice-Climate change litigation funding	\$1.0	\$1.0	Legislative augmentation for climate change litigation. This augmentation is premature since state regulations have not been implemented.
Cannery Business Park Replacement Furniture	\$1.0	\$1.0	There is no sound justification for replacing "usable furniture."
BOE: Sales and Use Tax Pilot Projects (\$400,000)	\$0.4	\$0.4	This pilot project does not result in any increased revenues to the state, but is a wasteful attempt to find audit leads.
DIR: Licensing and Registration Positions for Car Wash Oversight (\$365,000)	\$0.4	\$0.4	The appropriate funding source for this program is the Car Wash Workers Fund, not the General Fund.
State Coastal Commission - Augmentation for Coastal Commission webcast	\$0.2	\$0.15	This webcast is not a critical state government function.
<b>Total Savings</b>	<b>\$842.4</b>	<b>\$692.6</b>	